

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6572**

**BILL NUMBER:** HB 1141

**NOTE PREPARED:** Mar 8, 2012

**BILL AMENDED:** Mar 8, 2012

**SUBJECT:** Home Energy Assistance.

**FIRST AUTHOR:** Rep. Welch

**FIRST SPONSOR:** Sen. Kenley

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill establishes the Mortgage Foreclosure Multistate Settlement Fund. It provides that the fund consists of:

- (1) money that is received by the state under a multistate agreement related to litigation concerning mortgage foreclosure activities and that is designated by the Attorney General for deposit in the fund;
- (2) appropriations made to the fund by the General Assembly; and
- (3) grants, gifts, and donations intended for deposit in the fund.

The bill specifies that the fund shall be administered by the Budget Agency, and that money in the fund does not revert to the state General Fund. The bill specifies that an amount equal to the state sales tax revenue that was collected in the preceding state fiscal year on the assistance provided through the federal low-income home energy assistance block grant program (LIHEAP) is appropriated and transferred from the fund each year for a separate state home energy assistance program to provide assistance exclusively for individuals who own a home using the LIHEAP standards. It also repeals the expired sales tax exemption for home energy purchased through the state program.

**Effective Date:** January 12, 2012 (Retroactive); July 1, 2012.

**Explanation of State Expenditures:** *Office of the Lieutenant Governor:* This bill provides that not later than September 1 of each year, the Office of the Lieutenant Governor must report to the Budget Agency the total amount that was used to provide home energy assistance during the previous fiscal year through the federal LIHEAP. The bill also requires the Office of the Lieutenant Governor to establish a separate state home energy assistance program. The Office of the Lieutenant Governor currently administers the federal home energy assistance program. There would be no impact on expenditures.

*State Budget Agency (SBA):* This bill requires the SBA to administer the Mortgage Foreclosure Multistate Settlement Fund (established in this bill). The SBA's current level of resources is sufficient to implement this provision.

**Explanation of State Revenues:** *Mortgage Foreclosure Multistate Settlement Fund:* This bill establishes the Mortgage Foreclosure Multistate Settlement Fund. The bill provides that the fund consists of:

- (1) money that is received by the state under a multistate agreement related to litigation concerning mortgage foreclosure activities and that is designated by the Attorney General for deposit in the fund;
- (2) appropriations made to the fund by the General Assembly; and
- (3) grants, gifts, and donations intended for deposit in the fund.

The Attorney General reports that the state will receive approximately \$46.8 M in settlement payments in FY 2012, of which \$45.84 M will be paid to the Attorney General and \$1 M will be paid to the Department of Financial Institutions.

The bill provides that an amount equal to the state sales tax revenue that was collected in the preceding state fiscal year on the assistance provided through federal LIHEAP is appropriated and transferred from the fund each year for a state home energy assistance program. The bill provides that the funds are to be used exclusively for individuals who own a home using the LIHEAP standards. LSA estimates that approximately \$3.7 M to \$4.4 M would be collected each year from the sales tax on LIHEAP. The low estimate assumes total LIHEAP benefits for home energy of \$53 M, and the high estimate assumes a total LIHEAP benefit of \$63 M. According to a 2009 National Energy Assistance Survey, 46% of LIHEAP recipients own their home.

It should be noted that the amount of sales tax revenue collected will depend in large part on the federal appropriations for LIHEAP. For FFY 2012, federal appropriations for LIHEAP total \$82.3 M, down from \$107.6 M in FFY 2011. Only the portion of this funding used for home energy benefits is currently subject to Sales Tax. Federal funding for this program in FFY 2013 is unknown. A history of the amount of benefits paid out for home energy assistance over the last six years is included in the *Background* section below.

#### *Background Information -*

*LIHEAP:* Funding for the state's energy assistance program comes from federal sources and dedicated state funds. Since the early 1980s, the federal government has annually appropriated funds to states to provide energy assistance to low-income families. Indiana's program is divided into two components: the Energy Assistance Program (EAP) and the Weatherization Assistance Program (WAP). The program is primarily funded through the federal LIHEAP block grant. The state's energy assistance program provides grants for winter heating assistance and summer cooling assistance.

Indiana's program currently provides assistance to persons below 150% of the federal poverty level. A summary of benefits which would be subject to Sales Tax are as follows.

<b>Fiscal Year</b>	<b>Benefits (in millions)</b>
2012*	\$63.40
2011	\$80.96
2010	\$87.79
2009	\$86.69
2008	\$93.00
2007	\$57.64
*Please note that the benefit amount for FY 2012 is an estimate.	

*Mortgage Foreclosure Multistate Settlement:* The Mortgage Foreclosure settlement provides approximately \$2.5 billion, to be paid directly to participating states. The Attorney General reports that Indiana will receive \$46.8 M in direct settlement payments. The settlement allows the funds to be used for foreclosure relief and housing programs, including housing counseling, legal assistance, foreclosure prevention hotlines, and foreclosure mediation.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOR; IHCD;SBA;AG.

**Local Agencies Affected:**

**Information Sources:** Mark Wuellner, IHCD; [www.liheap.org](http://www.liheap.org); Paul Krievins, IHCD ;U.S Department of Health and Human Services, [http://www.acf.hhs.gov/news/press/2011/liheap\\_allocation.html](http://www.acf.hhs.gov/news/press/2011/liheap_allocation.html); Attorney General's Office; National Settlement Executive Summary, <http://www.nationalmortgagesettlement.com>; The 2009 National Energy Assistance Survey, National Energy Assistance Director's Association, [www.neada.org](http://www.neada.org).

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